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Benefits in Kind Statistics

August 2015



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About these statistics

This is a National Statistics publication produced by HM Revenue and Customs (HMRC). A full set of benefits in kind statistics is provided for 2012-13 together with some information for earlier years back to 2005-06. Provisional information for 2013-14 has also been included in this publication.

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

The statistics designated as National Statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

For more information on National Statistics and the governance of statistics produced by public bodies please see the UK Statistics Authority website (www.statisticsauthority.gov.uk).

A Quality Report covering these statistics is available which summarises the various dimensions of quality that have been considered:

<https://www.gov.uk/government/statistics/quality-report-benefits-in-kind-national-statistics>

In 2012 the methodology and presentation of these statistics changed. The most important change was the omission of statistics for most categories of expenses because following a thorough review of methods, we concluded that the previous figures significantly overstated the number of cases where expenses paid and reported by employers were genuinely taxable, and also that the true number taxable can only be estimated within quite broad ranges. For more information please see the document [“Benefit in Kind statistics: Review of Methodology and Format”](#) released in 2012.

The figures for 2013-14 in this release are provisional and the tax and NIC figures are based on projections. Final figures for 2013-14, together with new projections for 2014-15, will be included in the next annual update.

In accordance with the Code of Practice for Official Statistics, confirmation of the date of the next publication will be given not less than one calendar month in advance on both the HMRC website and the Office for National Statistics publication hub.

SECTION 1: Introduction

What does this publication tell me?

This publication contains a series of tables about the taxable benefits in kind paid by employers showing the number of recipients, the taxable value of the benefits and the tax and National Insurance contribution (NIC) liabilities on them. Breakdowns are provided by type of benefit, and by income level of the recipient and whether they are an employee or director. In the case of company cars, there are breakdowns by CO₂ emission level and fuel type.

Some taxable benefits in kind and expenses are not included in our tables. Some employers 'payroll' their benefits and expenses, i.e. add their value to employees' earnings and make PAYE deductions based on the total amount. They still report these benefits and expenses to HMRC but the information is not captured electronically and is therefore not available for analysis. The value of these payrolled benefits and expenses is estimated to represent a further 5% of the taxable value reported in our tables. In addition, the tables do not include benefits and expenses not yet reported by employers at the time the data extract underlying this publication was taken. More details on the completeness and accuracy of the data can be found in Annex C (Quality).

Annex A provides details of the tax and NIC treatment of the various types of benefit in kind.

Annex B describes the data sources and modelling and projection methods.

Who might be interested?

Users will include analysts and others with an interest in benefits in kind.

User engagement

We are committed to provide impartial quality statistics that meet our users' needs. We encourage our users to engage with us so we can improve our official statistics and identify gaps in them. If you would like to comment on these statistics or have any enquiries on them please contact the statistical contact named at the end of this section. Alternatively you can use the link to the feedback form below.

We undertake to review user comments on regular basis and use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals.

Publication and revision strategy

These statistics are published annually. Release dates will be announced on the UK Statistics Hub and the HMRC National Statistics release schedule. Any delays to the publication date will be announced on the HMRC National Statistics website.

The published statistics will be revised only if an error is discovered in the survey data or modelling. Projections will be revised at each publication until full administrative data for that year are available.

Statistical contacts

Enquiries about statistics on taxable benefits in kind and expenses should be directed to the statistician responsible for these statistics:

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Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

SECTION 2: Benefits in Kind Statistics

Summary of key statistics

Key outturns for **benefits in kind in 2012-13** are:

- The number of recipients of taxable benefits in kind remained steady at 3.7 million.
- The total value of taxable benefits in kind increased slightly from £7.4 billion in 2011-12 to £7.5 billion.
- Cars, car fuel and private medical/dental insurance remain the highest value benefits in kind.
- The number of recipients and total taxable value of excess mileage allowance payments, which reduced substantially in 2011-12 following an increase in approved mileage rates that year, decreased further in 2012-13 as a result of some employers reducing mileage payments to employees.

Provisional figures for **2013-14** indicate that:

- The number of recipients of benefits in kind continued to remain relatively steady at 3.6 million in 2013-14.
- The total taxable value of all benefits in kind increased from £7.5 billion in 2012-13 to £7.7bn. This was driven by increases in company car and private medical taxable benefits.

The remainder of this section provides more detailed commentary and statistics on benefits in kind in 2012-13 and 2013-14, together with some information for earlier years back to 2005-06.

T4.1

Taxable benefits in kind

Recipients, taxable value and income tax and NICs liability,
by each main category, 2012-13

Category	Recipients		Taxable value			Tax liability		NICs liability	
	Number (thousands)	% of <i>total</i>	Amount (£ millions)	Average (£)	% of <i>total</i>	Amount (£ millions)	Average (£)	Amount (£ millions)	Average (£)
Car	940	26	3,730	3,980	50	1,240	1,320	510	550
Car fuel	220	6	770	3,530	10	260	1,180	110	490
Private medical and dental	2,270	62	1,720	760	23	590	260	240	100
Beneficial loans	130	3	270	2,140	4	100	760	40	300
Excess mileage allowance	320	9	110	360	2	30	90	20	70
Van	60	2	160	2,510	2	40	630	20	350
Van Fuel	40	2	20	470	1	5	120	5	60
Services provided	60	1	50	750	-	20	290	5	100
Transferred assets	30	1	20	580	2	5	220	5	80
Provided accommodation	30	1	130	4,910	1	50	2,020	20	680
Payments on behalf of employee	20	1	40	1,860	-	20	780	5	280
Other benefits (Class 1)	140	4	160	1,110	2	60	420	20	170
Other benefits (Class 1A) ¹	400	11	300	750	4	120	290	40	100
Total	3,650	100	7,470	2,050	100	2,530	690	1,040	280

Key

- Estimates are negligibly small

¹ Includes other benefits that are subject to Class 1A rather than Class 1 National Insurance Contributions.



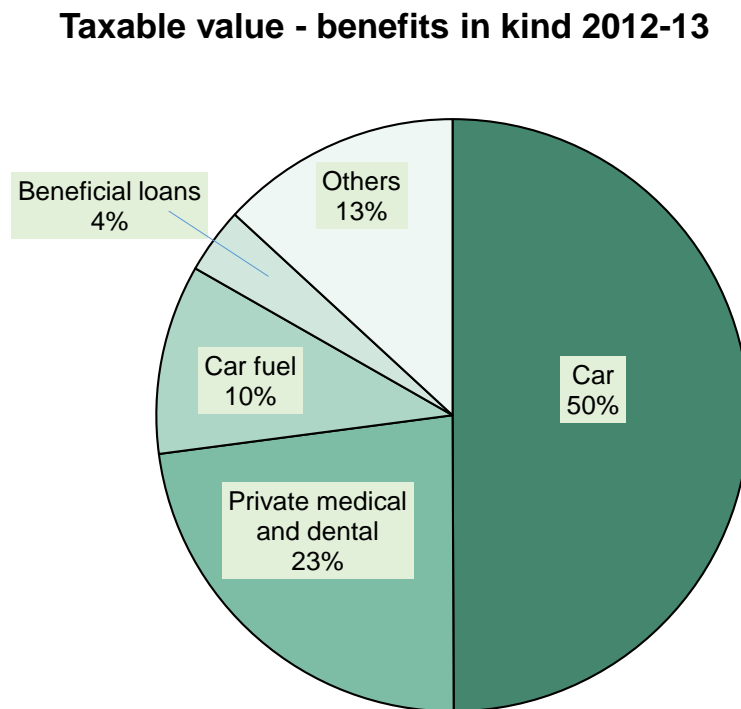
NOTES

- As recipients may receive more than one type of benefit, the percentages for the number of recipients do not sum to 100.
- The total number of recipients is the number receiving at least one benefit and so is not the sum of the individual components.
- Numbers and amounts less than 10 are rounded to the nearest 5; those greater than 10 are rounded to the nearest 10.
- The column totals may not equal the sum of individual components due to rounding.
- Certain expense types reported on P11Ds are excluded from these tables because the taxable amount reported is frequently the subject of subsequent claims for relief by employees, and the remaining taxable amount is difficult to establish accurately. Further details of expense types excluded can be found in Annex B.
- The data in this table are not fully complete, excluding some late-arriving cases and benefits and expenses which are payrolled. For more information please see Annex C of the accompanying release document.

Commentary on Table 4.1

- In total, around 3.7 million individuals received a taxable value in benefit in kind in 2012-13. the total value of the benefits was about £7.5 billion. Total tax and NIC liabilities were around £2.5bn and £1.0bn respectively.
- In terms of numbers of recipients, private medical and dental insurance was the most widely received benefit (by 62% of all those receiving any benefit), followed by cars (26%) and excess mileage allowance (9%).
- The average taxable values for van and van fuel benefit were £2,510 and £470 respectively. These are less than the flat charges of £3,000 and £550 because there is provision for the charge to be reduced when the van is unavailable for part of the year or shared, or when employees make payments for private use of the van.

Figure 1: A pie chart showing the proportion of taxable value from different benefits in kind.



- Car benefit and car fuel benefit together represented 60% of the total taxable value of all benefits in kind, considerably higher than the proportion of recipients who received these benefits. This was due to the higher average tax liability for these benefits. Private medical and dental benefit accounted for 23% of all benefits by value.

Figure 2: A bar chart showing the number of recipients of different benefits in kind.

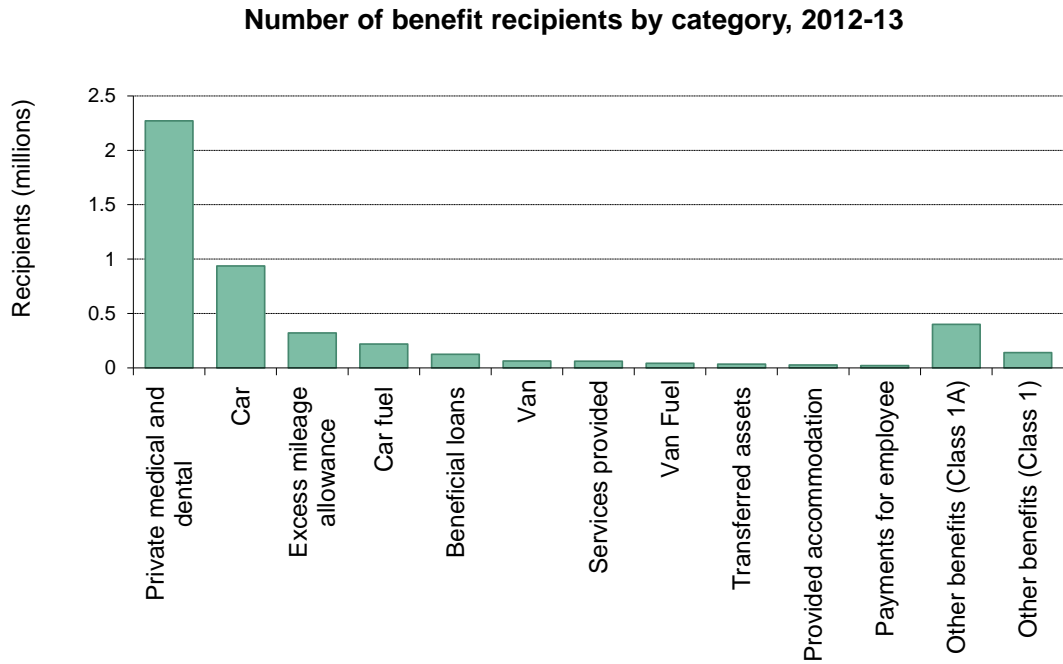
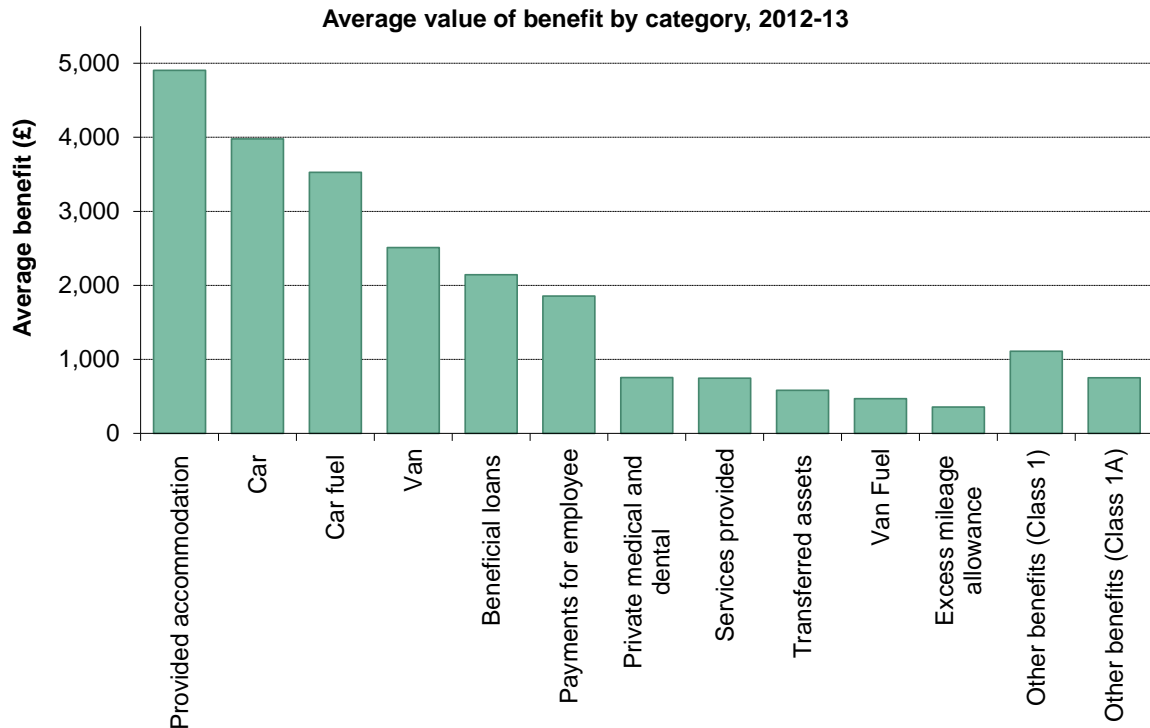


Figure 3: A bar chart showing the average value of each benefit in kind type.



Private medical and dental insurance/expenses was by far the highest incidence benefit in kind but had a relatively low average value. Cars were also high incidence and had a high average value, the combination making them the largest benefit in terms of overall value (as noted earlier). Provided living accommodation had the highest average value of all but relatively low incidence.

T4.2

Taxable benefits in kind

Total benefits in kind for directors and employees,
by range of total income, 2012-13

Total income (lower limit) £	Directors			Employees		
	Recipients (thousands)	Taxable value (£ millions)	Average value (£)	Recipients (thousands)	Taxable value (£ millions)	Average value (£)
0	10	5	660	80	50	600
8,500	10	20	1,840	170	80	480
15,000	10	20	2,080	250	130	530
20,000	20	50	2,210	640	570	900
30,000	30	80	2,530	660	1,030	1,550
40,000	50	150	2,890	490	1,080	2,210
50,000	50	200	3,970	580	1,590	2,770
75,000	30	180	5,210	210	650	3,140
100,000	30	210	6,420	140	490	3,410
150,000	10	110	7,790	50	170	3,690
200,000	20	220	12,730	50	360	6,620
Total	290	1,260	4,350	3,320	6,210	1,870

NOTES

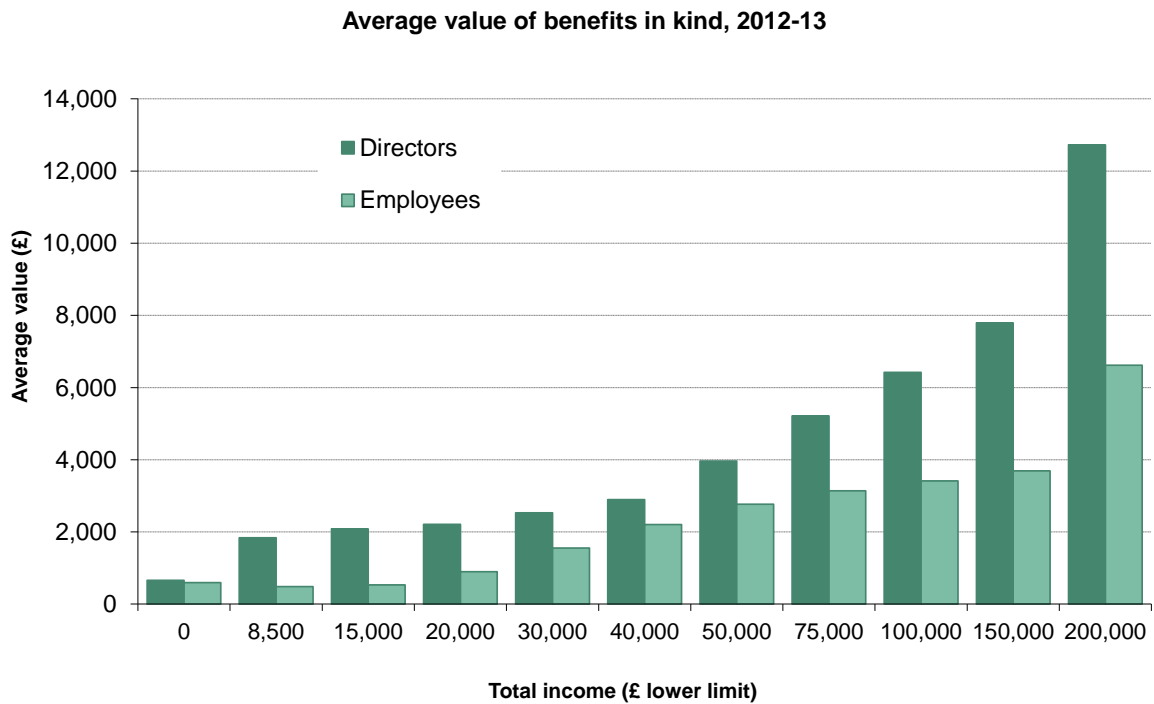


- Earnings are gross annual earnings, including gross benefits in kind and expenses payments.
- Numbers and amounts less than 10 are rounded to the nearest 5, greater than 10 rounded to the nearest 10.
- The column totals may not equal the sum of individual components due to rounding.
- The data in this table are not fully complete, excluding some late-arriving cases and benefits and expenses which are payrolled. For more information please see Annex C of the accompanying release document.
- The basis for this table has changed and tables from 2009-10 and before are not directly comparable with this one. For more information please see the accompanying release document.
- The figures in this table are grossed up from the sample which contains income information. The grossing methodology ensures that figures reflect the correct total taxable value but the total number of recipients will not necessarily match the figure in table 4.1

Commentary on Table 4.2

- In some older versions of this table an individual was classified as a director if they were recorded as a director in any of their jobs. Following a review we revised the definition. Since 2010-11, we have only counted an individual as being a director if they received benefits in kind and expenses from their directorship. For more information on this change, and on the methodology behind this table, please see Annex B.
- Out of 3.7 million benefit in kind recipients in 2012-13, fewer than 300,000 were directors.
- There were 80,000 employees who filled in a P11D return even though their total income inclusive of the benefit was less than £8,500, which is the earnings rate threshold for Class1A benefits to be taxable. These cases have been retained in our tables as we have assumed that reported earnings from employment of less than £8,500 represents part of a year and therefore the benefit is still taxable.

Figure 4: A bar chart to show the average value of benefits in kind by total income for those directors and employees with benefits in kind.



- For both directors and employees, the higher-income earners tend to have higher-value benefits in kind. The average value of benefits received increased with income at a far faster rate for directors than for employees.

T4.3 Taxable benefits in kind

Analysis of company cars, employer-provided fuel and private medical insurance, by range of total income, 2012-13

Total income (lower limit) £	Car		Car fuel		Private medical / dental	
	Recipients (thousands)	Taxable value (£ millions)	Recipients (thousands)	Taxable value (£ millions)	Recipients (thousands)	Taxable value (£ millions)
0	10	20	-	-	50	20
8,500	20	40	5	5	100	40
15,000	30	50	5	10	150	50
20,000	120	280	20	40	370	170
30,000	190	600	40	120	380	220
40,000	180	710	40	150	310	230
50,000	220	1,010	60	230	430	380
75,000	80	430	20	90	190	210
100,000	50	320	20	70	140	200
150,000	10	110	5	20	50	80
200,000	10	150	5	30	60	120
Total	940	3,730	220	770	2,270	1,720

Key

- Estimates are negligibly small



NOTES

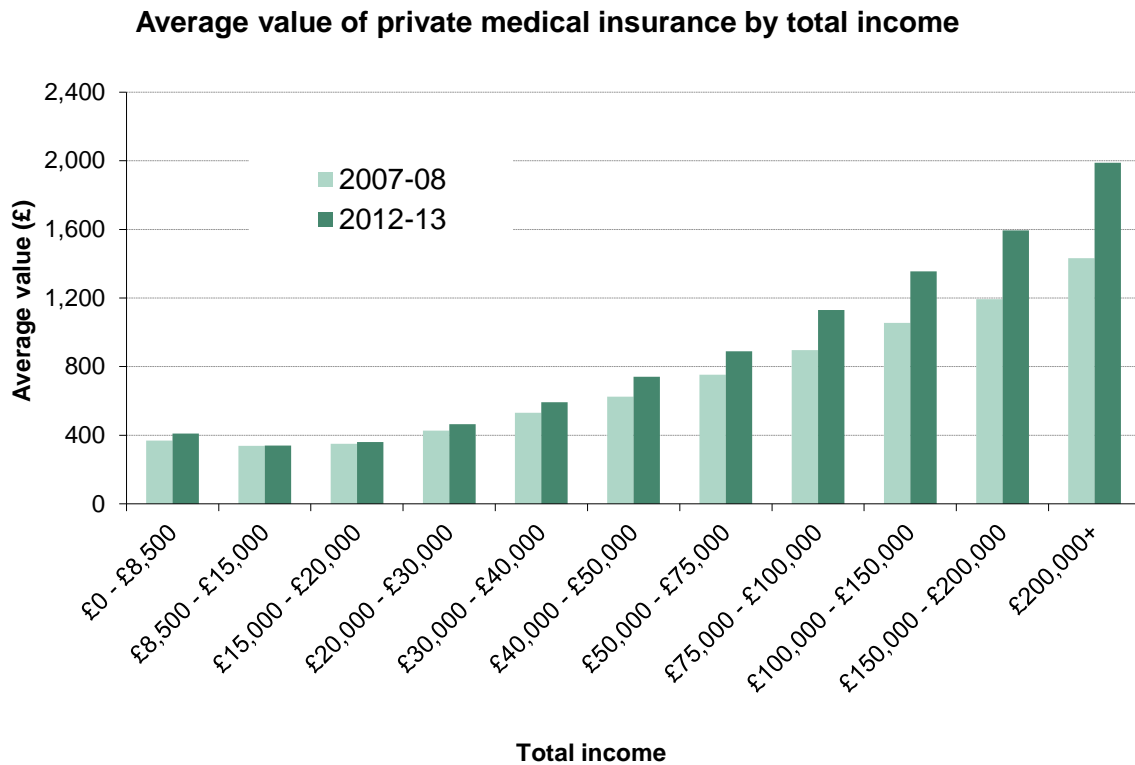
1. Numbers and amounts less than 10 are rounded to the nearest 5; those greater than 10 are rounded to the nearest 10.
2. The column totals may not equal the sum of individual components due to rounding.
3. Total income is inclusive of the benefit in kind amount.
4. The data in this table are not fully complete, excluding some late-arriving cases and benefits and expenses which are payrolled. For more information please see Annex C of the accompanying release document.

Commentary on Table 4.3

- In 2012-13, there were 940 thousand car users who received £3.7bn of taxable value in company car benefit. There were 220 thousand individuals who received £0.8bn of taxable value in free car fuel benefit and 2.3 million individuals received £1.7bn of taxable value in private medical / dental benefits in kind.

- There is not much change for the average value of private medical insurance below average income of £30,000 but increases are more steep for those in the higher income bands:

Figure 5: A bar chart to show the average value of private medical insurance by total income.



- There were 80,000 employees who filled in a P11D return even though their total income inclusive of the benefit was less than £8,500, which is the earnings rate threshold for Class1A benefits to be taxable. These cases have been retained in our tables as we have assumed that reported earnings from employment of less than £8,500 represents part of a year and therefore the benefit is still taxable.

T4.4

Taxable benefits in kind

Analysis of company cars by CO₂ emissions and fuel type, 2012-13

Category	Recipients		Taxable value		Tax liability		NIC liability		
	Number (thousands)	% of total	Amount (£ millions)	% of total	Amount (£ millions)	% of total	Amount (£ millions)	% of total	
CO ₂ emissions	Less than 95 g/km	20	2	40	1	10	1	5	1
	95 - 104	50	6	90	2	20	2	10	2
	105 - 114	130	14	330	9	90	8	50	9
	115 - 124	200	21	640	17	200	16	90	17
	125 - 134	130	14	480	13	160	13	70	13
	135 - 144	150	16	610	16	200	16	80	16
	145 - 154	110	12	520	14	180	14	70	14
	155 - 164	60	7	330	9	120	9	50	9
	165 - 174	30	3	160	4	60	5	20	4
	175 - 184	20	2	150	4	60	5	20	4
	185 - 194	10	1	80	2	30	2	10	2
	195 - 204	5	1	70	2	30	2	10	2
	205 - 214	5	-	20	1	10	1	5	1
	215 - 224	5	-	40	1	20	1	5	1
	225 g/km and over	10	1	160	4	70	5	20	4
Type of fuel	Diesel	760	81	3,110	83	1,020	83	430	83
	Non-diesel	180	19	620	17	220	17	90	17
Total		940		3,730		1,240		510	



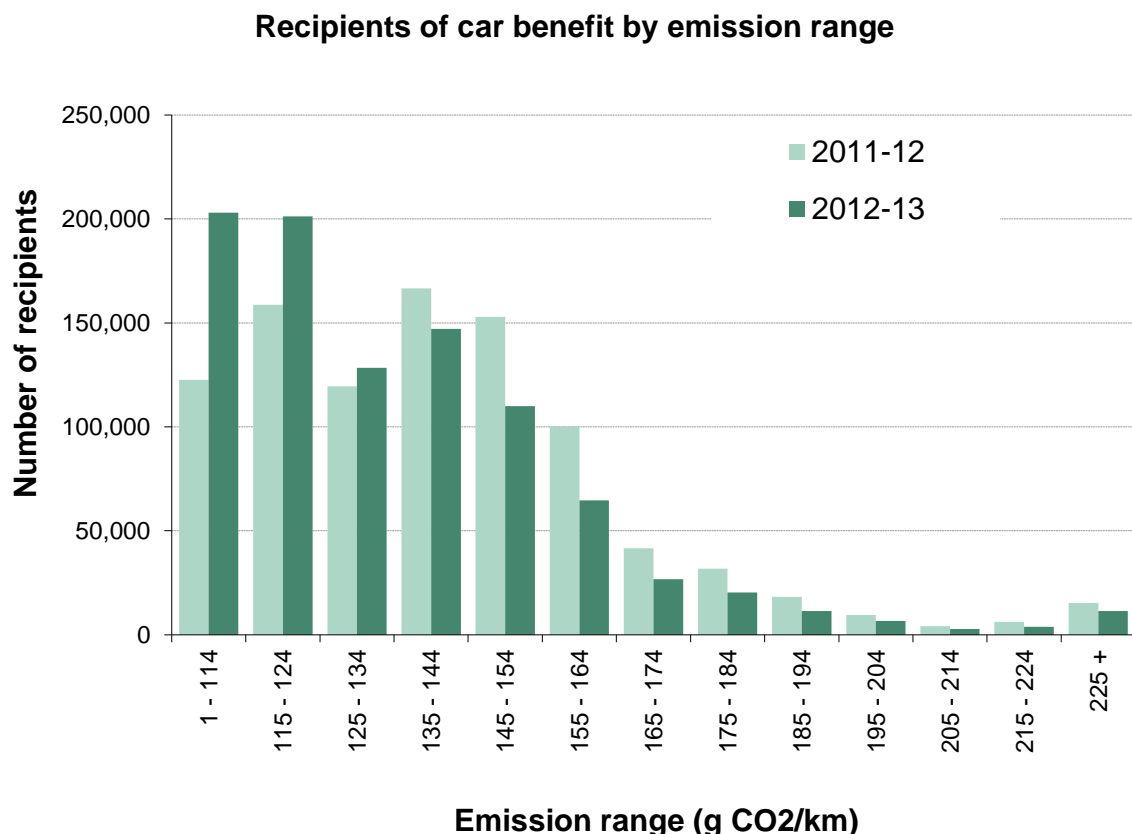
NOTES

1. Numbers and amounts less than 10 are rounded to the nearest 5, greater than 10 rounded to the nearest 10.
2. The column totals may not equal the sum of individual components due to rounding.
3. Where an individual had a company car for only part of the year, the taxable value and tax and NIC liability figures shown in the table are the part-year values. However in the recipients column the individual contributes a full unit value.
4. Where an individual had company cars in different emission ranges during the year, the unit value in the recipients column is split between the emission ranges proportionately to the durations in possession of the different cars.
5. The Non-diesel category of fuel captures petrol, conversion, hybrid, bio-fuel and bio-ethanol cars.
6. The table does not include electric cars, which as zero-emission vehicles have zero taxable benefit in 2012-13. Company cars powered solely by electricity were reported in respect of 360 individuals in 2012-13; the equivalent provisional figure for 2013-14 is 930 individuals
7. The data in this table are not fully complete, excluding some late-arriving cases and benefits and expenses which are payrolled. For more information please see Annex C of the accompanying release document.

Commentary on Table 4.4

- 91% of company cars in 2012-13 emitted less than 165g/km of CO₂, an increase from 87% in 2011-12. This group contributes 79% of the tax and 82% of the NIC liability.
- There is an established strong reducing trend in the level of emissions. In 2002-03 58% of cars had emission values in excess of 165g/km; in 2012-13 this had reduced to just 9%. The reduction continued strongly between 2011-12 and 2012-13, with cars emitting under 145 g/km increasing by 20% and cars emitting over 145 g/km decreasing by 32%. The emission-dependent scale of appropriate percentages for company cars is one of many factors incentivising the manufacture and purchase of low emission vehicles.
- The analysis by type of fuel has changed from that shown in previous years' tables, where the categories were "Diesel", "Petrol" and "Other". "Other" used to include electric, conversion, hybrid, bio-fuel and bio-ethanol cars as well as cars where the fuel type was not reported. From 2011-12 fuel type reporting on P11D forms was simplified, so that we can no longer identify some of the more uncommon fuel types. We have therefore had to change the categorisation.
- About 81% of company cars use diesel fuel with about 19% using other fuel types, predominantly petrol. Looking back to 2002-03 only 33% of company cars used diesel.

Figure 6: A bar chart showing the number of recipients of car benefits by emission range.



T4.5

Taxable benefits in kind

Recipients, taxable value, income tax, NIC liability and average taxable value, by category, 2005-06 to 2013-14¹

Recipients (thousands)	2005-06	2006-07	2007-08 Old basis	2007-08 New basis	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 provisional
Car	1,140	1,160	1,120	1,070	1,010	970	950	950	940	940
Car fuel	380	360	340	330	300	270	250	240	220	200
Private medical and dental	2,200	2,260	2,290	2,280	2,310	2,260	2,210	2,260	2,270	2,300
Beneficial loans	90	100	130	130	120	130	130	130	130	130
Mileage allowance	570	580	550	550	560	550	510	380	320	290
Van	170	130	70	70	60	60	60	60	60	70
Van fuel	.	.	40	40	40	40	40	40	40	40
Services provided	50	50	50	50	40	60	60	60	60	60
Transferred assets	10	10	10	10	10	10	20	30	30	40
Provided accommodation	30	30	30	30	30	30	30	30	30	30
Payments on behalf of employee	20	20	20	20	30	20	20	20	20	20
Other benefits (Class 1)	.	.	170	170	140	120	150	150	140	150
Other benefits (Class 1A) ²	.	.	250	250	290	320	330	370	400	400
Other benefits	370	380	.	.	.	.	.	.	.	.
Total receiving at least one taxable benefit³	3,870	3,920	3,890	3,830	3,830	3,770	3,690	3,670	3,650	3,660

Taxable value (£ millions)	2005-06	2006-07	2007-08 Old basis	2007-08 New basis	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 provisional
Car	4,130	4,030	4,060	3,950	3,840	3,740	3,660	3,610	3,730	3,820
Car fuel	1,050	970	900	870	950	840	810	770	770	740
Private medical and dental	1,260	1,330	1,510	1,510	1,520	1,550	1,590	1,670	1,720	1,840
Beneficial loans	100	120	210	210	240	280	260	290	270	280
Mileage allowance	200	200	200	200	210	210	200	130	110	100
Van	60	50	170	170	160	150	160	150	160	160
Van fuel	.	.	20	20	20	20	20	20	20	20
Services provided	30	40	40	40	40	40	40	40	50	50
Transferred assets	20	40	30	30	20	20	10	10	20	20
Provided accommodation	120	120	130	120	150	150	150	130	130	110
Payments on behalf of employee	60	60	50	50	50	40	40	40	40	40
Other benefits (Class 1)	.	.	190	200	180	180	190	200	160	160
Other benefits (Class 1A) ²	.	.	190	190	260	250	260	280	300	310
Other benefits	390	350	.	.	.	.	.	.	.	.
Total	7,420	7,300	7,700	7,550	7,620	7,470	7,390	7,350	7,470	7,660

Tax liability (£ millions)	2005-06	2006-07	2007-08 Old basis	2007-08 New basis	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 provisional
Car	1,380	1,340	1,300	1,300	1,220	1,150	1,170	1,200	1,240	1,290
Car fuel	350	330	300	290	300	260	260	260	260	250
Private medical and dental	410	440	490	490	480	480	520	570	590	640
Beneficial loans	40	40	70	70	80	90	90	100	100	100
Mileage allowance	50	50	50	50	50	50	50	30	30	30
Van	20	10	40	40	40	40	40	40	40	40
Van fuel	.	.	5	5	5	5	5	5	5	5
Services provided	10	10	10	10	10	10	20	20	20	20
Transferred assets	10	10	10	10	5	10	5	5	5	5
Provided accommodation	40	40	40	40	50	50	60	50	50	40
Payments on behalf of employee	20	20	20	20	20	10	20	20	20	10
Other benefits (Class 1)	.	.	60	70	60	50	70	80	60	60
Other benefits (Class 1A) ²	.	.	70	70	90	80	100	110	120	120
Other benefits	140	120	.	.	.	.	.	.	.	.
Total	2,470	2,430	2,460	2,470	2,410	2,280	2,400	2,480	2,530	2,610

NIC liability (£ millions)	2005-06	2006-07	2007-08 Old basis	2007-08 New basis	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 provisional
Car	540	520	530	510	490	480	470	460	510	530
Car fuel	140	120	120	110	120	110	100	100	110	100
Private medical and dental	160	180	200	190	190	200	200	210	240	250
Beneficial loans	10	20	30	30	30	40	30	40	40	40
Mileage allowance	40	40	40	40	40	40	40	30	20	20
Van	10	5	20	20	20	20	20	20	20	20
Van fuel	.	.	-	-	-	-	-	-	5	5
Services provided	5	5	5	5	5	5	5	5	5	5
Transferred assets	5	5	5	5	-	-	-	-	5	-
Provided accommodation	20	20	20	20	20	20	20	20	20	20
Payments on behalf of employee	10	10	5	5	5	5	5	5	5	5
Other benefits (Class 1)	.	.	30	30	30	30	30	30	20	20
Other benefits (Class 1A) ²	.	.	20	20	30	30	30	40	40	40
Other benefits	50	50	.	.	.	.	.	.	.	.
Total	970	960	1,010	980	990	970	960	960	1,040	1,070

Average taxable value (£)	2005-06	2006-07	2007-08 Old basis	2007-08 New basis	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 provisional
Car	3,620	3,490	3,620	3,700	3,800	3,840	3,850	3,810	3,980	4,050
Car fuel	2,780	2,700	2,640	2,670	3,170	3,140	3,300	3,270	3,530	3,640
Private medical and dental	570	590	660	660	660	680	720	740	760	800
Beneficial loans	1,120	1,200	1,610	1,610	1,950	2,180	2,010	2,260	2,140	2,200
Mileage allowance	350	350	360	350	370	380	400	350	360	350
Van	390	390	2,400	2,400	2,470	2,540	2,540	2,510	2,510	2,500
Van fuel	.	.	410	410	420	430	470	470	470	480
Services provided	630	680	780	780	790	730	720	730	750	790
Transferred assets	2,040	2,960	2,330	2,320	1,710	1,940	830	550	580	440
Provided accommodation	4,080	4,340	4,690	4,690	5,160	5,010	5,410	4,940	4,910	4,500
Payments on behalf of employee	2,340	2,480	2,100	2,100	1,930	1,540	1,890	1,780	1,860	1,800
Other benefits (Class 1)	.	.	1,160	1,200	1,340	1,560	1,290	1,300	1,110	1,100
Other benefits (Class 1A) ²	.	.	760	760	870	780	790	780	750	780
Other benefits	1,080	900	.	.	.	.	.	.	.	.
Total	1,930	1,860	1,980	1,970	1,540	1,980	2,000	2,000	2,050	2,090



Key

- Estimates are negligibly small

. Indicates where data for are not available or not applicable

¹ Based on the 2012-13 Expenses and Benefits file projected forward to 2013-14. These projections fall outside the scope of National Statistics and are provisional

² Includes other benefits that are subject to Class 1A rather than Class 1 National Insurance Contributions. Amounts included in 'All other expenses and benefits' prior to 2007-08.

³ The figure for 2005-06 has been imputed from other years' data. Please see the accompanying release document for further information

NOTES

1. As recipients may receive more than one type of benefit, the percentages for the number of recipients do not sum to 100.

2. The total number of recipients is the number receiving at least one benefit and so is not the sum of the individual components.

3. Numbers and amounts less than 10 are rounded to the nearest 5; those greater than 10 are rounded to the nearest 10.

4. The column totals may not equal the sum of individual components due to rounding.

5. A change in methodology was adopted from 2007-08 onwards; figures for 2007-08 based on the previous methodology are shown for comparison.

6. Certain expense types reported on P11Ds are excluded from these tables because the taxable amount reported is frequently the subject of subsequent claims for relief by employees, and the remaining taxable amount is difficult to establish accurately. Further details of expense types excluded can be found in the accompanying release document.

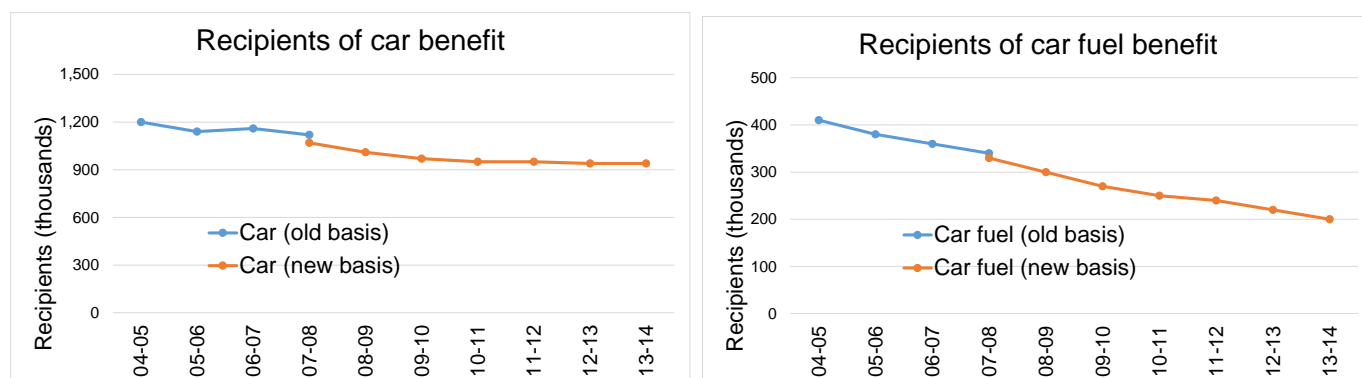
Comparisons over time

In 2012 significant changes were made to the methodology. Earlier figures, back to 2007-08, were re-worked using the new methods but this was not possible for the years before that creating a discontinuity in the series. Table 4.5 provides figures for 2007-08 on both the old and the new basis. It can be seen that in some cases the discontinuity is very small, with the old and new figures the same after rounding, but in others it is quite noticeable and needs to be taken into account when assessing changes over time. For more information please see the document [“Benefit in Kind statistics: Review of Methodology and Format”](#) released in 2012.

Car and car fuel benefits

There has been a downward trend in the number of recipients and taxable value of car and car fuel benefits. This trend has been more apparent for car fuel benefit the number of recipients of which fell by 33% between 2007-08 and 2012-13; the corresponding change for car benefit was only 12% during this period.

Figures 7 and 8: Recipients of car and car fuel benefit over time



The sharper reduction for car fuel benefit is likely to reflect rising fuel prices, causing employers and employees to look more carefully at whether the fuel benefit formula results in a tax charge commensurate with the true value of the benefit.

Beneficial loans

Following an increase in the official rate of interest in April 2007, the recipients and taxable values of beneficial loans both increased. Before 2007-08 the number of recipients was around 90,000-100,000, and afterwards around 130,000. The corresponding tax liability rose from £30-40m to £70m.

The official rate of interest decreased from 6.25% in 2007-08 to 4% in 2012-13. The number of recipients of beneficial loans remained roughly the same over this period, but the average taxable value and therefore tax liability increased by 55% from £70m to £110m.

Excess mileage allowance

The number of recipients of taxable excess mileage allowance payments held steady until 2009-10, with a slight fall in 2010-11 from 550,000 to 510,000 and then a much larger one (to 380,000) in 2011-12. From April 2011 the Approved Mileage Allowance Payments (AMAPs) rate was increased from 40p to 45p for the first 10,000 miles of business travel in a tax year. This meant that drivers receiving mileage allowances in excess of AMAPs were charged tax and NICs on the difference between the payment offered by their employer and 45p, rather than 40p. Employees receiving AMAPs at a rate of between 40-45p no longer needed to report their benefit, or pay tax or NICs on it.

Since 2011-12, there have been further decreases with only 320,000 and 290,000 taxpayers who received this benefit in 2012-13 and 2013-14 respectively. This was caused by a number of employers, in particular local authorities, who reduced mileage allowances paid to employees.

Van and van fuel benefit

In 2007-08 a new basis for taxing vans available for personal use was introduced after a transitional two-year period. Up to and including 2004-05 a flat benefit value of £500 or £350 for older vehicles was applied, regardless of the extent of personal use. From 2005-06 the benefit value was reduced to nil for cases where personal use was insignificant. Then in 2007-08 the benefit value was increased to a flat £3,000 when personal use was significant. This resulted in a sharp reduction in the number of taxable cases and a sharp increase in average taxable value in 2007-08.

Furthermore from 2007-08 a benefit value of £500 was introduced when free fuel was provided to van drivers (previously no specific tax charge was made). This was increased to £550 in April 2010, and this is reflected in T4.5, which shows that the average benefit value from van fuel increased from £430 in 2009-10 to £470 in 2010-11. Since then there has been little change and the value of the benefit has been steady at around £ 470, with a small increase to £480 in 2013-14. Further guidance is available from:

<http://www.hmrc.gov.uk/manuals/eimanual/EIM22705.htm>.

Transferred assets

The number of recipients of transferred assets has increased markedly between 2009-10 (10,000 recipients) and 2013-14 (40,000 recipients), while the average taxable value has dropped from £1,940 in 2009-10 to £480 in 2013-14.

This may in part reflect the introduction of guidance EIM21667 in 2010-11 (<http://www.hmrc.gov.uk/manuals/eimanual/EIM21667.htm>). This reminded employers using increasingly popular cycle salary sacrifice arrangements to consider the tax consequences if cycles were transferred to employees when arrangements came to an end.

Other benefits

Before 2007-08 other benefits were reported as a single category. From 2007-08 onwards, these have been split into Class 1 and Class 1A benefits.

Annex A: Background – Tax and NIC liability for benefits in kind

Employees receive a number of benefits from employers, e.g. company cars, cheap or interest-free loans, free accommodation. Most are taxable but there are some statutory exemptions such as for workplace nurseries and canteens; accommodation which is necessary for the duties of the employment; a mobile telephone made available for private use and cycles loaned to employees by their employer primarily for commuting journeys.

Most directors of companies, regardless of their earnings, and employees paid more than £8,500 a year (including the value of benefits in kind and expenses) are liable to pay income tax on their earnings which include the value of the benefits in kind and expenses payments provided. For some expenses (for example, excess mileage and excess expenses payments) there is also a Class1 NICs charge. Their employers (or in certain cases other third parties who provide benefits in kind) are normally liable to pay Class 1 or Class 1A NICs on taxable benefits in kind. Employees who earn less than £8,500 a year are only liable to pay tax on certain benefits in kind which include provided accommodation, benefits in kind that can be converted into cash, benefits in kind provided by a voucher or credit card and payment of the employee's debt.

As the threshold limit of £8,500 relates to the rate of earnings rather than to total earnings during the year, those who work for only part of a year may be liable to tax on relevant benefits even if their total earnings are lower than £8,500. In producing these statistics, it has been assumed that where an employer has filled in a P11D form, it is because a tax liability was incurred, and so instances where income reported is below £8,500, have been retained.

The taxable value of a benefit depends on its type:

1. Company Cars Between April 1994 and April 2002 the value of a company car for tax and National Insurance purposes was based on 35 per cent of the car's list price, with discounts to the percentage given for the number of business miles driven and the age of the car. Since April 2002, it has been based on the car's list price and CO₂ emissions. Since April 2003, the value of employer-provided fuel has also been linked to the car's CO₂ emissions (it was previously fixed by scale charges). The rules for calculating the benefit values for cars and employer-provided fuel are given in the supplementary tables (TC1 to TC3).
2. Beneficial Loans The value of a cheap or interest-free loan is the difference between the interest which would have been paid at the 'official' rate of interest and the interest actually paid. This can be calculated using the normal averaging method or the alternative precise method. The average 'official' rate of interest is shown in table TC4 'Average official rates of interest' with the 'actual' rates of interest shown in table TC5 'Actual official rates of interest' (see also <https://www.gov.uk/government/publications/rates-and-allowances-beneficial-loan-arrangements-hmrc-official-rates>). There is

an exemption for loans totalling no more than £5,000 at any point in the tax year for years up to and including 2013-14. From April 2014 this threshold has increased to £10,000.

3. Provided Accommodation The value of provided accommodation, where it is taxable, is either the annual rent paid by the employer or the 'annual value', as specified in booklet 480 (see link below). In some circumstances there is an additional charge based on the cost or the current market value of the accommodation.
4. Childcare No tax or NIC liability arises where the employer provides a nursery or crèche on or near the employer's premises, or one that is wholly or partially managed and financed by the employer. For 2005-06 where an employer offers childcare vouchers or directly contracts with the childcare provider, the first £50 a week is free of tax and NICs. This limit was increased to £55 a week from 2006-07. However higher and additional rate taxpayers who start to benefit from the scheme from April 2011 have tax relief restricted to the level available to basic rate taxpayers. The main conditions for this exemption are that the childcare benefit is made available to all employees where a scheme operates, and the childcare is registered childcare or approved home-childcare. Tax and NICs are charged on any excess over the weekly limit.
5. Company Vans In 1993-94 a scale charge of £500 was introduced for private use of company vans (or £350 for a van that is 4 or more years old at the end of the tax year). The charge also included any private fuel provided. Since 2005-06 a nil charge has applied to employees who take their van home and do not use it for private journeys. Where private use was unrestricted the existing £500 or £350 scale charge was applied dependent upon the age of the van. Since April 2007 the discount for older vans has been removed and the scale charge for unrestricted private use increased to £3,000. Also since April 2007, an additional fuel charge of £500 applies if the employer provides fuel for unrestricted private use including home to work travel. Increases to the charges for more recent years covered by this release are as follows:

Years	Van Benefit Charge	Van Fuel Benefit Charge
2007-08 to 2009-10	£3,000	£500
2010-11 to 2012-13	£3,000	£550
2013-14	£3,090	£564

6. Other benefits in kind The value of most other benefits in kind is based on the cost to the employer of provision.
7. Further details on the calculation of taxable values for benefits in kind can be found in HMRC booklet 480 (Expenses and benefits).

In general, the taxable value of benefits in kind may be reduced by contributions paid by the employee for the benefit in kind. The final value of the benefit for tax

purposes will be used to assess the Class1A NICs that the employer (or third party) is liable to pay. Taxable benefits not already subject to Class 1 NICs are liable for Class 1A NICs unless they are exempt.

Dispensations

Employees are entitled to a deduction from expense payments for expenditure incurred wholly, exclusively and necessarily in the performance of the duties of their employment. They are also entitled to a deduction for travel expenses in certain circumstances. To avoid unnecessary work for both employers and HMRC, if HMRC is satisfied that no tax will be payable on particular expense payments or benefits in kind, it can give notice to the person paying or providing them that this is the case. The notice given is called a dispensation. In these circumstances, nothing needs to be reported to HMRC. There are special rules for mileage payments to employees who use their own vehicles for business travel. Dispensations are not available for mileage payments, but some payments can be made free of tax and NICs.

PAYE Settlement Agreements

Employers may enter into a voluntary agreement known as a PAYE Settlement Agreement (PSA) with their HMRC office to meet the tax payable on certain expenses and benefits in kind. Under a PSA, the employer will be liable to pay Class 1B NICs on those expenses and benefits in kind included in the agreement which would otherwise attract a liability for Class 1 or Class1A NICs and on the total tax payable under the PSA. The items covered by a PSA must be minor, or paid on an irregular basis, or are such that it is impracticable to operate PAYE on them. The items covered are not reported by employers on Form P9D or P11D, and are not covered by these tables.

Further details about the taxation and NICs treatment of benefits in kind and expense payments can be found on the HMRC and Gov.uk websites using the following links:

- [Employment Income Manual](#),
- [Expenses & Benefits: A tax guide \(Booklet 480\)](#),
- [Class 1A National Insurance contributions on benefits in kind: A guide for employers \(Booklet CWG5\)](#),
- [Expenses and benefits in kind: The basics](#)

Information about PSAs can be found at [PAYE settlement agreements](#).

Annex B: Data sources and Methodology

This section describes the data sources and methods used to compile statistics of the taxable value of benefits in kind and the number of recipients as well as the tax and NIC liability split by each benefit shown in Tables 4.1 to 4.5 of this release.

Data Sources

P11D forms

Survey of Personal Incomes (SPI)

Methodology

Source data

Calculating tax and National Insurance Contributions

Expense types excluded

Treatment of mileage allowance

Definition of total income and directorship

Estimating breakdown of totals according to total income

Calculation of number of car recipients split by CO₂ emission

Imputation of CO₂ values and fuel type

Projections

Data sources

The published estimates are based on the data collected from P11D forms and the Survey of Personal Incomes (SPI).

P11D Forms

At the end of each tax year, employers must provide HMRC with details of taxable expenses and employment benefits provided to directors and certain employees. Employers are required to complete a separate P11D form for each employee whose expenses and benefits they report. If an employee (i.e. not a director) received expenses payments or benefits, and the total of payments, benefits, and earnings were at a rate of less than £8,500 a year the employer completes a P9D. If a dispensation or PAYE settlement agreement covers the benefits and expenses, the employer should not report them on the P11D / P9D. P11D data are captured on the HMRC Employer Compliance System (ECS).

Survey of Personal Incomes (SPI)

The SPI is a sample survey derived from data held by HMRC on persons who have been in contact with HMRC over the tax year through the PAYE, SA or repayment claims processes. The survey consists of a systematic random sample of individuals each tax year. For each individual in the sample, SPI includes

information on incomes assessable to income tax for the tax year, together with some basic information on individual characteristics, for example age and gender.

The SPI sample size has increased over time to 700,000 in 2012-13. It is made up of three separate samples drawn from the following HMRC administrative systems:

- COP/NPS: covering all employees and recipients of occupational or personal pensions with a Pay-As-You-Earn (PAYE) record. SPI datasets up until 2007-08 used the Computerisation of PAYE (COP) system. From 2008-09, the SPI datasets were compiled from the National Insurance and PAYE Service (NPS) system. This includes more non-taxpayers than those compiled from COP records, but should not affect the merged sample with P11D returns.
- CESA: Computerised Environment for Self-Assessment covering the self-assessment population which includes those with income from self-employment, rent, or untaxed investment income, as well as company directors and individuals with high incomes or complex tax affairs.
- Claims: covering persons without COP or CESA records who have had too much tax deducted on incomes at source (e.g. on savings income) and claim a repayment from HMRC.

SPI datasets for 2010-11 and earlier years are available for public use via the UK Data Archive at Essex University (registration required):
<http://www.data-archive.ac.uk/>

For technical reasons SPI data for 2008-09 are not available. For the purpose of producing the figures in this publication 2008-09 SPI data has been simulated by projection forward from 2007-08.

Methodology

Source data

Following the end of each tax year, an individual level dataset, containing all benefits in kind and taxable expenses that have been reported on a P11D return, is compiled. The number of recipients and the amount of each benefit can be obtained from the P11D returns, and are reported in Tables 4.1, 4.4 and 4.5.

A data cleaning exercise is performed to make sure the source data are fit for purpose. This included removing all instances where the benefit value was reported as negative or zero. The Survey of Personal Incomes (SPI) is then merged onto the P11D returns to obtain information relating to total income, tax and National Insurance Contributions as this is not currently held on the ECS data. In 2012-13, around 90,000 individuals in the selected sample received benefits in kind and expenses reportable in our tables.

Calculating tax and National Insurance Contributions

An average tax and NIC rate per pound of benefit is calculated from the P11D records merged with the SPI sample. The tax and NIC liabilities in respect of benefits in kind for an individual are calculated as the difference between liabilities arising with and without the value of benefits included.

In calculating the tax, we have used the relevant tax rates applicable for each tax year on earnings, savings and dividends and taken into account various deductions which reduce an individual's tax liability such as the personal allowance and reliefs.

The difference between the tax liabilities including and excluding benefits is summed over all SPI sample cases (with grossing factors) and then divided by the summed total benefit amount to give an average tax rate per pound of benefit. This average tax rate (for each benefit) is then applied to the total taxable value derived from the full P11D data to obtain our overall tax liability estimate.

This approach effectively considers the benefit in kind as the top element of income, and consequently the tax liability reflects the taxpayer's highest rate of tax. An alternative approach would have been to attribute the amount of tax to the benefits in kind based on the proportion of the benefit in kind value over total income. This would have resulted in lower average tax rates compared to the approach adopted with a considerable impact on tax liabilities calculated as shown in the table below.

Table 1: Total tax liability 2007-08 calculated with different methodologies for average tax rate.

<u>Benefit in kind</u>	<u>Methodology for average tax rate</u>	
	<u>Adopted:</u> <u>Tax liability using tax rate</u> <u>for benefit treated as top</u> <u>element of income</u>	<u>Not adopted:</u> <u>Tax liability using</u> <u>overall average tax rate</u> <u>for individual</u>
Car	£1.3bn	£880m
Car fuel	£290m	£200m
Private medical and dental	£490m	£330m

We consider that the methodology adopted is better suited to users' needs. The tax liability shown represents the tax figure which would be affected by any changes to rules for determining taxable value of benefits, or by any change to take-up of benefits in kind.

A corresponding methodology was adopted for the NIC liability. Some benefits are liable to Class 1 employee and employer NICs where others are only liable to Class 1A employer NICs. The National Insurance Contributions are therefore calculated differently for Class 1 and Class 1A benefits. For Class 1A benefits, the National Insurance contributions are 12.8% of the value of the benefit (employer only) for years up to 2010-11 and 13.8% for years from 2011-12.. For Class 1 benefits we have included both the employer and employee contributions, and used the relevant

thresholds and rates applicable for each tax year. This NIC liability is then divided by the amount of the benefit to give an average NIC rate per pound of benefit. Weighted averages of these rates are then multiplied by the total value of the benefits from all P11D records to produce a value for National Insurance Contribution liability.

Table 4.1 reports the number of recipients and the amount of the benefit along with their tax and National Insurance Contributions. Where an individual benefit is quite small, these have been combined into an 'Other benefits' category.

Expense types excluded

Many of the expense payments previously reported up to 2010 were removed in our 2012 publication as a result of the finding that subsequent claims to relief rendered the majority of the amount reported non-taxable.

The expense types affected, together with the taxable amounts reported for 2007-08 are as follows:

Table 2: Expense amounts reported for types excluded

<u>Expense type</u>	<u>Amount reported</u> <u>2007/08 (£m)</u>
General expenses	180
Travelling and subsistence	550
Entertainment	120
Home telephone	30
Subscriptions	50
Vouchers/credit cards	140
Other expenses (apart from relocation expenses)	20

It is not possible to establish a reliable central estimate of the extent to which the affected expense payments are subsequently relieved. However analysis suggested the following estimated range for the proportion of reported expenses which were subsequently relieved and therefore not taxable:

- General expenses : 57%-79%
- Travelling and subsistence : 74%-86%
- Entertainment : 66%-91%
- Subscriptions : 16%-70%
- Vouchers/credit cards : 63%-78%

Further details are given in the report released in 2012 entitled ["Benefit in Kind statistics: Review of Methodology and Format"](#).

As a result, the number of rows in the table has been reduced from 19 to 13. The category previously described as 'Other expenses' had only one expense remaining in the reported tables: non-qualifying relocation expenses. This was too small to

report as a separate category, so it was combined with qualifying relocation expenses and reported in 'Other benefits (Class 1)'.

Treatment of excess mileage allowance

The tax-free Approved Mileage Allowance Payments (AMAPs) are 45 pence for the first 10,000 miles driven¹ and 25 pence thereafter. When an employer pays more than these allowances, the excess is a taxable benefit. However a NIC liability only occurs on the excess over a flat 45 pence per mile regardless of miles driven. Therefore not all the taxable value is subject to National Insurance Contributions.

For example, if an individual is paid by their employer a 45 pence per mile flat rate regardless of mileage driven, there would be a taxable benefit incurred of 20 pence per mile above 10,000 miles, where the AMAPs rate is only 25p per mile. However there would be no liability to National Insurance Contributions in this case.

It is not possible to establish accurately the proportion of taxable mileage allowances which are also subject to National Insurance. However analysis of the distribution of business mileage together with information on typical rates of allowance paid suggest strongly that the proportion is over 90%. We decided to treat the full taxable value as subject to National Insurance Contributions. The estimate of NIC liability reported in our tables for Mileage Allowances will therefore have a slight bias towards over-statement.

Definition of total income and directorship

We report the total amount of benefits split by total income, inclusive of the benefit amount, in Tables 4.2 and 4.3. Total income includes total earned income as well as total investment income; not just earnings from employment. Total earned income includes state benefits as well as earnings from employment such as taxable incapacity benefit, other taxable social security benefits and jobseeker's allowance payments. Gross profits assessable for all sources of self-employment income, taxable pay on termination of employment, and pensions are also included. Total investment income would include net income from UK and overseas property, net interest from UK banks, building societies and other deposit takers, dividends from shares in UK companies and unit trusts, gains on life policies with tax treated as paid, interest paid gross and any other interest & dividends from UK and overseas savings & investments charged at 20%.

The published T4.2 tables for 2007-08 and 2009-10 defined a director as an individual who was recorded as a director in any their jobs. Otherwise, the individual was counted as an employee. Following a review, from 2010-11, we only count an individual as being a director if they submitted a P11D (i.e. received benefits in kind or expenses) from their directorship.

¹ Increased from 40 to 45 pence per mile from April 2011

This has led to a drop from 390,000 directors recorded in 2009-10 table T4.2 under the old basis, to 290,000 directors in 2011-12 under the new basis. It is difficult to reproduce the 2009-10 table under the new definition due to a change in the format of the data over these years. However, to give an indication of the change, the number of director recipients of taxable benefits in kind and expenses for 2009-10 under the new basis would have been approximately 300,000. The number of employee recipients under the old basis in 2009-10 was 3,380 thousand, and would have been 3,470 thousand under the new basis.

Where an individual has more than one employment where they are receiving benefits in kind and expenses, details of whether the individual was a director or employee are only captured for the first three employments. If any of these employments record the individual as being a director, they are treated as a director for the purpose of our tables; otherwise they are treated as an employee.

Estimating breakdown of totals according to total income

In tables 4.2 and 4.3, we provide a breakdown of total values according to range of total income.

Estimates for each range are found from the SPI sample, as the full P11D data do not contain all details of income. The estimates are grossed up using standard SPI grossing factors, but a further adjustment factor is then applied in order that the total taxable benefit value for all cases is equal to the total figure known from the full P11D data.

The same adjustment factor is used for both benefit value and number of recipients, with the result that the number of recipients reported by income band will not sum exactly to the total number of recipients from the P11D forms.

It is not possible to adjust the number of recipients to the P11D value by a different factor than that used for the amount of benefit without distorting estimates of average benefit value.

Calculation of number of car recipients split by CO₂ emission

Table 4.4 reports all car benefits split by the CO₂ emission of each benefit. However since a recipient can have more than one car benefit in the tax year, it was necessary to apportion that recipient between their multiple car benefits, so that they would not be counted more than once. A recipient was therefore apportioned between their car benefits according to the length of time they had each benefit.

Where a recipient only had a car benefit for part of the year, the car benefit, tax and NIC values in the table reflect the part year. However the individual still counts as one person for the purposes of the recipients column. Where a recipient had multiple car benefits at the same time so that they had the equivalent of one benefit

for greater than a year, this was scaled down to a year, and the recipient apportioned between them.

Imputation of CO₂ values and fuel type

CO₂ values are reported on the P11D forms where an employer reports a car benefit. Sometimes these are missing or are implausible values. Where other supporting data can help impute the missing or implausible value, this has been done prior to producing the figures in Table 4.4.

If the fuel type recorded for the car was electric, this was only accepted if the corresponding CO₂ emission was 0g/km. If the fuel type recorded for the car was anything other than electric, or if the fuel type was changed, then any CO₂ emission which was missing or reported as being under 75g/km was imputed.

There were 0.28% of car benefits from the P11D data identified for imputation for 2012-13. Of those car benefits where the CO₂ value was imputed, they were three different approaches to imputation for the following three groups of cases:

- The appropriate percentage is known, and it is clear how the car benefit value was calculated. This excludes an appropriate percentage of 5%, 10% or 35%, for reasons explained below.
- The appropriate percentage is 5%, 10% or 35% and it is clear how the benefit value was calculated.
- All other car benefits identified for imputation.

For car benefits where we knew the appropriate percentage was between 10% and 35%, we used the midpoint CO₂ emission of that appropriate percentage band. Since the range of each appropriate percentage was only 5g/km, this would have been at most within 2g/km of the true CO₂ emission.

For car benefits where we knew the appropriate percentage was 5%, 10% or 35%, we could not use a midpoint, as the range of emissions in the case of a 5% appropriate percentage was 1-75g/km resulting in too wide a range for a midpoint to be a reliable imputation. A 10% appropriate percentage also stretches across a wide range of emissions from 76-99g/km. The upper bound in the case of a 35% appropriate percentage is open-ended. Therefore we used the distribution of known CO₂ emissions for 5%, 10% and 35% appropriate percentages respectively to apportion the number of recipients, amount of benefit and tax and NIC liability.

Finally, where the appropriate percentage could not be identified, the distribution of all known CO₂ emissions was used to apportion the number of recipients, amount of the benefit and tax and NIC liability.

After a cleaning exercise, the average tax rate per pound of benefit was calculated for each appropriate percentage (i.e. different bands of CO₂ emissions). This is because there is evidence that higher rate taxpayers tend to have higher emitting cars. Where the appropriate percentage could not be identified, an average tax rate

per pound of benefit was used from all car benefits. This was multiplied by the amount of each car benefit to provide a tax liability. The National Insurance Contribution was 13.8% of the value of the benefit (12.8% in earlier years).

Due to sampling error, the sum of tax liabilities across CO₂ bands would not equal the total sum calculated for table 4.1, therefore an adjustment factor is used to make the total tax liability match that calculated for all car benefits. The same average tax rates used across CO₂ emissions were applied when grouping by the type of fuel in table 4.4. This was adjusted to the total sum calculated for table 4.1 in the same way.

Projections to 2008-09 and 2013-14

The SPI data have been projected forward to 2008-09 and to 2013-14 based on the individuals selected for the 2007-08 and 2012-13 samples respectively.

Further details about the projections with indications of quality can be found in Annex B of the Income Tax Liabilities Statistics Publication, found here:
<https://www.gov.uk/government/collections/income-tax-statistics-and-distributions>

The number of recipients and taxable value of the benefit for 2008-09 are obtained from P11D returns for 2008-09 and are not based on projections. The projected SPI for 2008-09 is then merged onto the P11D returns for 2007-08 to obtain information relating to total income, tax and National Insurance Contributions. The average tax rate per pound of benefit and average Class 1 National Insurance Contribution rate is then calculated in the same way as previously described. These rates are then applied to the P11D returns from 2008/09.

The recipients and taxable values for 2013-14 are obtained in a similar way, with average tax and NICs rates derived by merging the projected SPI for 2013-14 with the P11D data for 2012-13.

Annex C: Quality

Limitations

Users should be aware of various issues affecting the completeness and accuracy of the tables. A Quality Report covering these statistics is available via our web page and the link below:

<https://www.gov.uk/government/publications/quality-report-benefits-in-kind-national-statistics>

This report assesses the statistics against different attributes of quality such as relevance, accuracy and reliability, timeliness and punctuality, accessibility and clarity, and coherence and comparability.

The following section contains more detailed information about two particular aspects of quality: completeness and accuracy.

Completeness

Some taxable benefits in kind and expenses are not included in our source data and are therefore excluded from the tables. They are:

1. Payrolled benefits and expenses. These are benefits and expenses where the employer has deducted tax through the payroll system. In such cases P11Ds are submitted to HMRC but are not captured on ECS.
2. P9D benefits and expenses. Taxable benefits and expenses are reported on form P9D when an employee's total remuneration is at a rate of less than £8,500 per annum. P9D returns are not captured on ECS. This only affects a few benefit types which are still taxable when the employee's total remuneration is less than £8,500 per annum such as employer-provided living accommodation.

We estimate that the combined taxable benefit value from types 1 and 2 above is approximately 6% of the total taxable value reported in our tables. One benefit type which is known to be frequently payrolled is private medical benefit/treatment and it is believed that a large proportion of payrolled benefit relates to this type. However at the current time no evidence enabling us to quantify this is available.

3. Late arriving P11D forms. P11D forms are due to be filed in the July following the end of the tax year. The data used in our tables come from extracts from live data and any P11D forms processed after the extract dates will not be reported in our tables. These P11Ds will either be new cases or changes to existing cases.

Since the last release we have reviewed the quality of both provisional and final statistics with regard to late-arriving data. As a result of this we have

decided to take new data extracts for the two tax years concerned shortly before publication date, so that our statistics reflect the latest possible data. We have estimated “late-arriving factors” for the data used in our tables, representing the additional proportion of benefit value likely to arrive after the extract date. These factors were estimated separately for tax years 2009-10 to 2012-13.

Table 3: Late-arriving factors in the tables for each tax year reported

<u>Tax Year</u>	<u>Last filing date</u>	<u>Estimated additional late-arriving benefit value</u>
2009-10	11 th March 2011 *	2.4%
2010-11	22 nd March 2013	0.2%
2011-12	14 th April 2014	0.3%
2012-13	27 th March 2015	0.3%
2013-14	1 st May 2015	0.8%
<u>provisional</u>		

* Extracts for tax years prior to 2009-10 were taken at the corresponding point in the cycle and can be expected to have similar late-arriving factors

The late-arriving factors will vary from year to year even if taken at the same date each year. They are influenced by changes in the pattern of submission and processing of P11D returns, and are affected by occasional late-arriving large cases.

We also estimated factors for individual benefit types. The variation between benefits is mostly minor or inconsistent from year to year, but there are two benefits for which there are consistent significant differences from the overall average: accommodation and beneficial loans.

In the case of employer-provided living accommodation, a small number of high value cases consistently arrive in the January to March following the end of the tax year. With the extract schedule we used to operate this meant that the provisional tables significantly understated accommodation benefit value, although the understatement in the final versions was much more modest. For this release the provisional table is affected by a more modest late-arriving factor, as a result of taking the late extract of data.

Table 4: Late-arriving factors for accommodation benefit in the tables in this release.

<u>Tax Year</u>	<u>Last filing date</u>	<u>Estimated additional late-arriving benefit value for accommodation</u>
2009-10	11 th March 2011	3.1%
2010-11	22 nd March 2013	0.4%
2011-12	14 th April 2014	0.3%
2012-13	27 th March 2015	0.3%
2013-14 provisional	1 st May 2015	1.8%

In the case of beneficial loans there is a long tail of late-arriving cases which for the final version of the tables gives a larger late-arriving factor than for other benefits. The factor for the provisional tables is also much higher than for other benefits.

Table 5: Late-arriving factors for beneficial loans in the tables in this release.

<u>Tax Year</u>	<u>Last filing date</u>	<u>Estimated additional late-arriving benefit value for beneficial loans</u>
2009-10	11 th March 2011	3.8%
2010-11	22 nd March 2013	1.3%
2011-12	14 th April 2014	1.2%
2012-13	27 th March 2015	1.3%
2013-14 provisional	1 st May 2015	2.7%

- Benefits covered under PAYE settlement agreements. As explained in Annex A, employers may enter into a voluntary agreement known as a PAYE Settlement Agreement (PSA) with their HMRC office to meet the tax payable on certain expenses and benefits in kind.

In 2012-13 the amount of employee benefits and expenses covered by PSAs was approximately £1 billion.

- Excluded expense types. As explained above under “Methodology: Expense types excluded” certain expenses reported on P11D forms are excluded from these tables because large proportions are subject to subsequent relief claims and are therefore non-taxable.

In 2007/08 the amount removed was £1.1 billion, of which considerably less than half is expected to be genuine taxable expenses.

6. Zero benefit values. In a small number of cases where the reported taxable benefit value was zero (for example where an employee contribution matched or exceeded the taxable benefit value) the cases were discarded.

Accuracy

The following is a list of the key issues with a bearing on the accuracy of the figures provided. In most cases the figures provided have already been described in the Methodology and Completeness sections above.

- We treat all benefits reported on P11Ds for those with income under £8,500 as taxable. More details are set out above in “Background: Tax and NIC liability for benefits in kind”.
- We treat all excess mileage allowances reported as being subject to National Insurance Contributions. More details are set out in “Annex A: Methodology – Treatment of mileage allowances”.
- We define an individual as a director where there is at least one P11D in which they have declared themselves as a director. A small number of directors will submit one P11D as a director with expenses only, and one or more P11Ds with taxable benefits in kind as an employee. In this case the taxable benefits in kind would be classified as falling under a director. This will only impact upon a few thousand cases and is therefore not considered significant given the rounding in the tables.
- There will be sampling error for those figures which depend on the Survey of Personal Incomes (tax and NIC liability estimates, and breakdowns by total income).